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ED

10 April 1956

SC No. 01273/56

Copy No. 103

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 14
NO CHANGE IN CLASS. X
EX-100
CLASS. CHANGED TO: TS, S, C
NEXT REVIEW DATE: 2005
AUTH. BY: 12-2677
REVIEWER: 372044

OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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1. MIKOYAN SIGNS AGREEMENT TO PROVIDE FURTHER
ECONOMIC AID TO COMMUNIST CHINA

Comment on:

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First Deputy Premier Mikoyan on 7 April in Peiping signed an agreement promising continued Soviet support for the economic development of Communist China. While the new commitments do not increase the current annual level of Soviet assistance to China, they extend Soviet support well into the Chinese Second Five-Year Plan (1958-1962).

Under the agreement the USSR will build 55 new industrial enterprises in China. These are in addition to 156 enterprises provided for in Sino-Soviet agreements of 1953 and 1954. The 55 new projects are to cost China 2.5 billion rubles (\$625,000,000 at the official rate of exchange). No loan appears to have been granted to finance this sum, which is to be defrayed "through trade procedures."

A Pravda editorial of 8 April which expressed admiration for Chinese achievements predicted that Communist China would "create its own powerful industry within the first two to three Five Year Plans." This is more optimistic than statements by Chinese Communists, who have anticipated that it would take three Five Year Plans to become "basically" industrialized and the rest of this century to become "highly" industrialized.

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Pravda also explicitly called to the attention of non-Communist underdeveloped countries the impressive record of Chinese progress with Soviet aid.

(Prepared by ORR)

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2. BULGARIAN PREMIER CRITICIZED BY PARTY CENTRAL COMMITTEE

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The resolution of the Bulgarian Communist Party's central committee criticizing Premier Chervenkov clearly foreshadows some limitation on Chervenkov's powers, if not his removal as premier. The resolution, published on 8 April, condemns the "cult surrounding the person of comrade Vulko Chervenkov" and says it led to unilateral decisions harming both the party and state. While several of the Satellite parties have pleaded guilty to fostering the cult of personality, the Bulgarians are the only ones to attribute it to their top political leader.

There is no indication yet as to how much Chervenkov's powers will be circumscribed. As a move to "completely liquidate the cult of personality," the Bulgarian party secretariat has been expanded from three to five members. The background of the two new members, Encho Staikov and Boyan Bulgaranov, suggests an attempt to maintain the balance between the "Muscovite" and "nativist" elements in the party. There may be a reluctance to replace Chervenkov with the present number-two man, Deputy Premier Anton Yugov, who belongs to the "nativist" group. In order to keep the "nativists" within bounds, an attempt may be made to set up a "collegial" system spreading power among several, including Yugov and possibly a "reformed" Chervenkov.

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As recently as February Chervenkov appeared to be in a strong position. He went to Moscow to negotiate an agreement for Soviet economic credits of \$92,000,000, and he also addressed the Soviet 20th Party Congress as leader of the Bulgarian party delegation.

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3. CAMBODIA TO ESTABLISH RELATIONS WITH USSR

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A Soviet embassy will be established in Phnom Penh this June, according to Cambodian minister of agriculture Hoeur Lay Inn. He said either he or Finance Minister Mau Say would be appointed Cambodian ambassador to Moscow, to take up residence there in November.

Comment

After his return last February from Peiping, Prince Sihanouk told American officials that the Soviet chargé there had pressed him on the establishment of official relations and that he was stalling but doubted he could avoid doing something.

Until the USSR's recent shift in favor of Cambodia's admission to the United Nations, Sihanouk had cited Moscow's negative position on that issue as sufficient reason not to exchange recognition.

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Approved For Release 2000/08/29 : CIA-RDP79T00975A002500140001-8

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5. SPANISH-MOROCCAN TALKS INCONCLUSIVE

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The final sessions of the Spanish-Moroccan talks in Madrid were reportedly "stormy," according to the American embassy in Madrid.

Many troublesome points were left unsettled, such as the future of the presidios of Ceuta and Melilla, whose return was reportedly requested by the Moroccans.

Spanish fears that the privileges granted to France by a united Morocco would exceed and prejudice those granted to Spain reportedly underlay the differences between the two parties. The Moroccans rejected Spanish efforts to make the transfer to Morocco of full powers in the Spanish zone conditional on the achievement of "genuine independence" of the French zone.

Further negotiations, which may be protracted, are scheduled for 7 May.

Comment

The Spanish-Moroccan declaration and protocol of 7 April was undoubtedly intended to equate Spain's position in a united Morocco to that of France as well as to ensure a voice for Spain in Moroccan affairs.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 9 April)

Clashes between Israeli forces and Arab terrorist raiders in Israel multiplied as the Israelis took extra security precautions and began round-up operations against the terrorists. While the series of incidents since 5 April indicates an increased willingness on the part of both sides to risk war, there is no evidence now available that either side has decided to launch full-scale hostilities in the immediate future or that either is deliberately seeking to provoke a conflict.

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The American army attaché in Cairo notes that Egyptian press accounts of terrorist activity, reproducing without comment Israeli communiqués, appear to be acknowledgments of the general truth of these reports. Reports of terrorist activities last fall were similarly handled by the Egyptian press.

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four unidentified vessels "not above mine sweeper size" passed Gibraltar and entered the Mediterranean during the early evening hours on 4 April. Unidentified vessels, possibly the same group, were reported southeast of the Balearic Islands at noon 6 April. These craft may be the 3,100-ton Polish merchant ship and the four vessels bearing Polish pennants which emerged from the Baltic on 29 March and are believed en route for delivery in Egypt.

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